that Memel is at present Lithuania's only practicable access to the sea. Moreover, since 1923 a large number of important industries have been established in and near the town with the object of supplying the Lithuanian hinterland; and thus a large proportion of Lithuania's industries are located in Memel. While these two circumstances have undoubtedly led to a noteworthy increase in the economic importance of Memel since the War, Memel has suffered much, on the other hand, through the closing of the Polish-Lithuanian frontier since 1920; for, as the result, what was formerly her chief source of income, namely the handling of timber floated down the Niemen from Poland, has ceased to exist.

At present over three-quarters of Lithuania's exports by value, and over two-thirds of her imports, are effected by sea through the port of Memel. In addition, goods are imported through Memel in transit for Russia and sometimes Latvia, and the same is true of exports. Traffic through Memel (in net registered tons) is now more than three-quarters that of Tallinn. During the last few years the practice of importing or exporting through the Latvian port of Liepāja has somewhat decreased in favour of Memel.

To this the completion in 1932 of the Siauliai–Telsiai–Kretinga railway has greatly contributed, since previously railway communication between Central Lithuania and Memel involved a long detour, either to the south, almost as far as Tilsit, or to the north through Latvian territory; and Liepāja was thus nearer to Kaunas than was Memel. The result of this increase can be seen from the following table:

TABLE 12. *Imports, Exports, and Shipping through Memel, 1932–7*

	Exports from Memel by sea (mill. lits)	*Percentage of total Lithuanian exports*	*Imports into Memel by sea (mill. lits)*	*Percentage of total Lithuanian imports*	*Shipping entered through Memel ('000 net registered tons)*
1932	123·6	65·4	78·3	46·9	519·7
1933	106·6	66·6	79·0	55·6	600·7
1934	97·3	66·1	83·9	60·5	622·6
1935	118·2	77·6	80·0	62·2	691·3
1936	149·4	78·4	106·2	68·0	788·5
1937	157·0	75·3	145·0	68·0	844·7

Out of the 844,700 net registered tons of shipping entering Memel during 1937, 294,400 tons were German, 150,000 Swedish, and 145,800

locus standi) protested at Kaunas, but were told that the law was valid under the Statute and could not be altered, although guarantees could be given that it would not be used for other than its ostensible purpose.

439 tons British. The Niemen is navigable as far as the Lithuanian-
505 Polish 'administrative line', and is used for cargo traffic as far as
361 Kaunas.

361 The administration of the harbour is provided for in an annex to
504 the Memel Statute of 1924, and is controlled by a board consisting
475 of one member appointed by the Lithuanian Government, one by the Memel Directorate, and one by the League of Nations. Since 1924 noteworthy steps have been taken to improve the technical equipment of the port. The harbour has been extended and deepened, docks have been excavated, cranes have been installed, and ware-
[457] houses built, the cost, running into 'several tens of millions of lits',[1] being borne mainly by the Lithuanian Government. Some of the expenditure, however, has been met out of a loan issued by the city in 1927 amounting to 4,000,000 RM. nominal and offered in Germany.

361 As has already been mentioned, Memel is a comparatively impor-
438 tant industrial centre. Of the 1,056 industrial enterprises in Lithuania employing 5 or more workmen at the beginning of 1937, 137 were in Memel, and of the 30,561 persons employed in such industries throughout Lithuania, 8,112 were employed in the Memel Territory. The more important industries include sawmills, veneer works, chemical fertilizer plants, and cellulose undertakings. There are also textile and tobacco factories of some size.

361 Outside the industrial district of the Territory the principal
241 occupation is agriculture. It is impossible to give any indication as
439 to the volume of production, since the figures are included with those of Lithuania proper. According to the available information, however, there is normally a small surplus of production for export; and since the easiest, if not the only, market is East Prussia, the agricultural population of the Territory suffered considerably from the virtual suspension of commercial intercourse between Lithuania and Germany owing to the dispute of 1932–5. The Agreement of August 1936 was consequently followed by an appreciable improvement.

361 The Statute of 1924 gives the Administration powers to levy direct
651 and indirect taxation inside the Territory with the exception of
[652] Customs and excise duties and certain monopolies. The Territory has a separate budget, which in 1934 balanced at about 14 million lits. The only funded debt outstanding is the loan of 1927 already mentioned.[2] Owing to the harbour's international importance, there is a comparatively large number of commercial and other banks domiciled in the Territory.

[1] *Lithuanian Telegraph Agency (Elta) Service*, March 1936.

2[see above, line 12 -- Analyst]

1: Anonymous U-4 (no date) 1938 RB1 Baltic States RB1

APPENDIX II

COMMUNICATIONS

504 The Baltic States as a whole are not remarkably well provided with communications. It is true that both Estonia and Latvia each possess one harbour of great importance, viz. Tallinn and Riga, and a number of other ports, but Lithuania's seaboard is small and her sovereignty 496 over her only harbour, Memel (Klaipeda), is limited. On the other hand, nearly all the railways at present in use were built in the days of the Russian Empire, often with strategic considerations in view, and it is, therefore, not surprising that the railway system is not well adapted to meet the requirements of three independent States. Though there are hardly any natural obstacles such as mountains, the adapting of the railways to their national requirements since the War has been limited 494 by the scarcity of capital. Finally, the road system inherited from Imperial Russia was poor, though it has been somewhat improved since the War.

(1) *Shipping*

● 505 The relative importance of the most important harbours can be judged from the following figures:

Shipping entered (in thousand net registered tons) in 1937, including coastal traffic

Riga	1,343
Tallinn	957
Memel	845
Ventspils	335
Liepāja	296

Most of the shipping entering these ports is foreign except in the case of Latvia. Of the total net registered tons of shipping entering the principal Latvian ports in 1937 about 29 per cent. was German, 26 per cent. Latvian, 11 per cent. Danish, and rather less British, while the next most important flags were Swedish and Norwegian.

The merchant fleets of Estonia and Latvia are small, and for the most part are chiefly occupied in local transport. That of Lithuania is at present of negligible importance. The total tonnage of merchant vessels[1] owned by Estonia on June 30, 1936, was 155,000 tons, and that of Latvia 170,000 tons, in each case nearly all the vessels being steamers. During 1937 the Latvian Government assisted in the formation of a shipping company, which has decided to order two modern cargo boats of 2,000 tons gross each to start a passenger and goods service between Latvia and British and German ports, and in other ways the Government has given much assistance to Latvian shipping. Proposals are made from time to time in Lithuania with a view to the foundation of a merchant fleet, but the only important step so far taken in this direction has been the purchase in 1935 of some small ships by the *Maistas* co-operative association. The Baltic ports are served by a number of

[1] Of 100 tons and over.

505 regular sailings of British, German, Finnish, and Scandinavian lines. Of these may be mentioned the United Baltic Corporation, which maintains weekly services between London and Memel, Riga, and Tallinn.

504 The ports of Riga and Tallinn are blocked by ice in the winter months, especially February and March, but in each case channels for steamers are kept open by ice-breakers. While Latvia's trade is thus subject to disorganization, Liepāja and Ventspils are generally free of ice and consequently do a considerable trade in the winter, although accommodation in the ports is limited. Moreover, plans are at present being considered for the further development of a river harbour on the Lielupe at Jelgava. On the other hand, congestion in Tallinn can be relieved only by the use of the small ports of Narva-Joesuu, Pārnu, and Paldiski. Memel also is blocked by ice in winter, though an ice-breaker is used. Communication can, however, be maintained through the Latvian port of Liepāja. It may be mentioned that for some years the Lithuanian Government has been attempting to develop a small fishing village, Sventoji, near the Latvian frontier, with a view to providing an alternative port to Memel, though progress in this direction has not so far been great.

(2) *River Navigation*

123 Estonia has few navigable waterways, the Narva, which connects
487 Lake Peipus with the sea, being perhaps the most important. Both Latvia and Lithuania, however, possess rivers which are indispensable for the moving of timber. The principal navigable rivers in Latvia are the Daugava, the Gauga, and the Lielupe; in Lithuania, the Niemen (Nemunas). A canal joins the Niemen to the Bobr, which flows into the Narew, a tributary of the Vistula. The canal is, however, in Polish territory. The Berzune, a tributary of the Niemen, is also joined to the Daugava by a canal. Finally, it should be remembered that most, if not all, of the inland waterways of these countries are closed by ice for three to four months of the year.

(3) *Railways*

496 As already mentioned, the railway system inherited from Russia bore little relation to the new national requirements. For example, Russia had no object in linking Memel to Kovno, since Memel was in Germany, and Russia had built Libau expressly to be independent of German communications. Moreover, many of the lines were built (or not built) for purely strategic reasons, and nearly all were of the broad Russian gauge. It was natural, too, that they tended to radiate from centres in Russia with which, as has been seen, the Baltic States were to trade far less than before the War. Finally, the War had led to the wholesale destruction of stations, bridges, and other buildings, and even to the removal of locomotives and rolling-stock. Thus, the problems with which the new States were faced were considerable.

493 Reconstruction began soon after the War. In almost every case the
127 railways were taken over by the State. The amount of repairs which